DOCUMENT RESUME

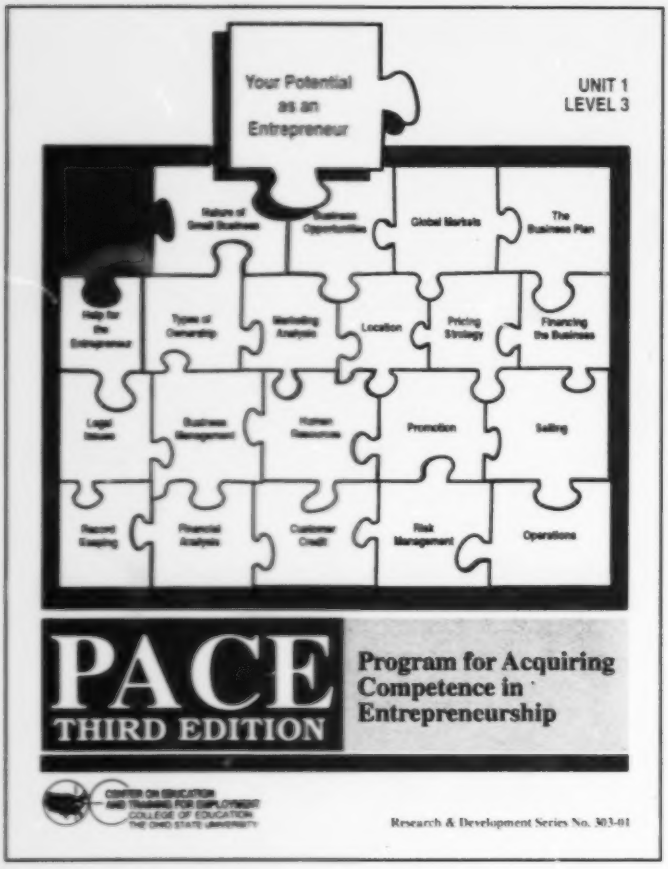
ED 373 238 CE 067 072

TITLE	Your Potential as an Entrepreneur. Unit 1. Level 3. Instructor Guide. PACE: Program for Acquiring Competence in Entrepreneurship. Third Edition. Research & Development Series No. 303-01. Series No. 303-01.
INSTITUTION	Ohio State Univ., Columbus. Center on Education and Training for Employment.
PUB DATE	94
NOTE	25p.; For the complete set, i.e., 21 units, each done at three levels, see CE 067 029-092. Supported by the International Consortium for Entrepreneurship Education, the Coleman Foundation, and the Center for Entrepreneurial Leadership Inc.
AVAILABLE FROM	Center on Education and Training for Employment, 1900 Kenny Road, Columbus, OH 43210-1090 (order no. RD303-01 IG, instructor guide $4.50; RD303-01 M, student module, $3; student module sets, level 1--RD301M, level 2--RD302M, level 3--RD303M, $45 each; instructor guide sets, level 1--RD301G, level 2--RD302G, level 3--RD303G, $75 each; 3 levels and resource guide, RD300G, $175).
PUB TYPE	Guides - Classroom Use - Teaching Guides (For Teacher) (052) -- Guides - Classroom Use - Instructional Materials (For Learner) (051)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Behavioral Objectives; *Business Education; *Competency Based Education; *Decision Making; *Entrepreneurship; Goal Orientation; *Individual Characteristics; Learning Activities; Personality Traits; Postsecondary Education; Secondary Education; *Self Evaluation (Individuals); Student Evaluation; Teaching Guides
IDENTIFIERS	Goal Setting; *Program for Acquiring Competence Entrepreneurship

ABSTRACT

This instructor guide for a unit on entrepreneurship potential in the PACE (Program for Acquiring Competence in Entrepreneurship) curriculum includes the full text of the student module and lesson plans, instructional suggestions, and other teacher resources. The competencies that are incorporated into this module are at Level 3 of learning--starting and managing one's own business. Included in the instructor's guide are the following: unit objectives, guidelines for using PACE, lists of teaching suggestions for each unit objective/subobjective, model assessment responses, and overview of the three levels of the PACE program. The following materials are contained in the student's guide: activities to be completed in preparation for the unit, unit objectives, student reading materials, individual and group learning activities, case study, discussion questions, assessment questions, and references. Among the topics discussed in the unit are the following: characteristics and personality traits of entrepreneurs; the importance of professionalism to entrepreneurs; assessment of personal qualifications and motives for becoming an entrepreneur; areas in which entrepreneurs make decisions (money, sales, employees, customer credit, advertising, pricing, purchasing, business protection, recordkeeping, legal issues, equipment/supplies, merchandise/services, partners, customers, and business facilities); personal analysis and identification of appropriate business options; and goals necessary to becoming an entrepreneur. (MN)

ED 373 238



INSTRUCTOR GUIDE

Unit 1

Your Potential as An Entrepreneur

Level 3

Objectives:

- Appraise common characteristics of entrepreneurs.
- Analyze your personal characteristics, skills, and motives.
- Discuss the importance of professional behavior as an entrepreneur.
- Evaluate your potential for planning, marketing, management, and operations.
- Identify your business options based on your personal analysis.
- Set short-term and long-term goals for your business.

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☑ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

C Hansen

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

HOW TO USE PACE

- Use the objectives as a pretest. If a student is able to meet the objectives, ask him or her to read and respond to the assessment questions in the back of the module.
- Duplicate the glossary from the *Resource Guide* to use as a handout.
- Use the teaching outlines provided in the *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists objectives with the corresponding headings (margin questions) from the unit. Space is provided for you to add your own suggestions. Try to increase student involvement in as many ways as possible to foster an interactive learning process.
- When your students are ready to do the *Activities*, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship.
- Assess your students on the unit content when they indicate they are ready. You may choose written or verbal assessments according to the situation. Model responses are provided for each module of each unit. While these are suggested responses, others may be equally valid.

CE 067 072

BEST COPY AVAILABLE

Objectives	Teaching Suggestions
1. APPRAISE COMMON CHARACTERISTICS OF ENTREPRENEURS	
What do we know about entrepreneurial characteristics?	Have students assess the personal characteristics of entrepreneurs. Help them complete the list by offering examples of successful entrepreneurs.
2. ANALYZE YOUR PERSONAL CHARACTERISTICS, SKILLS, AND MOTIVES	
What are your personal qualifications for becoming an entrepreneur?	Create a simple chart to show areas of expertise and skills exhibited by entrepreneurs. The instructor could use the table shown in the text as a reference and have students suggest what business situations require various skills. Highlight the importance of negotiating, selling, motivating, organizing, problem solving, and decision making in business. Use bibliography in the resource guide to recommend additional readings to students.
What are your motives for becoming an entrepreneur?	Divide the overhead or chalkboard into two columns. For each column, have students list proactive and reactive reasons why people become entrepreneurs. Stress the impact of macroeconomic factors (e.g., economic cycles, international events, government regulations, new technological breakthroughs, inflation, etc.) for entrepreneurship success.
3. DISCUSS THE IMPORTANCE OF PROFESSIONAL BEHAVIOR AS AN ENTREPRENEUR	
What does professionalism mean to the entrepreneur?	Teach students how to improve their appearance, communication skills, body language, manners, and ethics. The instructor could use Barbara Bird's *Entrepreneurial Behavior*, or John P. Malloy's *Dress For Success*, as a reference.
4. EVALUATE YOUR POTENTIAL FOR PLANNING, MARKETING, MANAGEMENT, AND OPERATIONS	
What is your potential for decision making and problem solving?	Present a case which raises a business problem in management, operations, marketing, finance, etc. The instructor could use any of the works recommended in the resource guide or magazine or newspaper articles to create a simple case. Have students solve the case and comment on their decision-making and problem-solving skills as they relate to the case.

Objectives	Teaching Suggestions
What kinds of decisions do entrepreneurs make?	Have students make a list of business areas where entrepreneurs make decisions on a day-to-day basis. Then, add more detailed information to each area as students develop their ideas (e.g., financial decisions: credit, form of ownership, expansion, capital, fixtures, cash flow, etc.)
5. IDENTIFY YOUR BUSINESS OPTIONS BASED ON YOUR PERSONAL ANALYSIS	
How can personal analysis help identify appropriate business options?	Explain to students the importance of self-assessment. Lead students in a discussion on how they could use personal analysis to identify appropriate business options. If there are business owners among students, have them talk about how they came up with their business idea.
6. SET SHORT-TERM AND LONG-TERM GOALS FOR YOUR BUSINESS	
Why are goals important?	Invite a local entrepreneur to talk about his/her personal experiences as they relate to goal setting in business.
What goals are necessary to become an entrepreneur?	This is a good opportunity for creativity. The instructor should briefly indicate different types of goals entrepreneurs set for themselves. Then, have students give examples for each set of goals. Students could use their magazine and newspaper readings to illustrate goal setting practices of famous entrepreneurs.

MODEL ASSESSMENT RESPONSES

1. Three areas of skills needed to be a successful entrepreneur are: (1) communication skills, (2) knowledge/thinking skills, and (3) physical skills.

2. Good communication skills enable you to build relationships and communicate with other people involved in your business such as customers, employees, suppliers, distributors, bankers, and other people in the business community.

   Thinking skills and technical knowledge help you manage and organize the functional areas of your business, solve problems and make appropriate decisions.

   Physical skills help certain entrepreneurs to perform various manual or physical processes required by their business. Some examples of businesses which require physical skills are landscaping, car repair, painting, hardware retail, etc.

3. Some motives for becoming an entrepreneur are: (1) having a role model such as a relative or friend, (2) identifying business opportunities, (3) displacing events such as financial disruptions or job layoffs, (4) need for extra money, (5) gaining community recognition, and (6) having the personality of a creative and innovative pathfinder.

4. Entrepreneurs make decisions related to each business area (finance, marketing, accounting, operations, human resources, and legal issues). Finance-related decisions concern cash flow from operations, borrowing money from banks and venture capitalists, credit from suppliers, income and expenses, expansion, buying a business, etc. Marketing decisions pertain to advertising expenses, running promotions, pricing, selling plan, marketing a new product, customer credit, etc. Accounting decisions concern record keeping, inventory, hiring an accountant, etc. Human resource decisions are related to hiring, laying off, and training of employees. Operations management decisions concern inventory, suppliers, machinery and equipment, products and services. Finally, entrepreneurs make decisions related to form of ownership, licenses, permits, patents, copyrights, and other legal issues.

5. The single most important problem will vary from student to student depending on the selection of business opportunity and personal qualifications. For example, if the student is anticipating a high-technology industry small business, the most important problem could be the shortage of a highly qualified workforce.

6. After having evaluated his/her own potential for starting a business, the answers to this question will come in the form of a list of problems the student entrepreneur has dealt with in his/her past experience.

7. Entrepreneurs set goals related to their career growth, businesses, families, and finances. Personal goals include further education (e.g., taking management, accounting, finance, computer, or other classes which help entrepreneurs improve their expertise and skills), improvement of communication skills, etc. Entrepreneurs might set business-related goals, such as finding a new office, buying a new facility, researching the market, etc. Financial goals include obtaining a loan, reducing expenses, establishing a line of credit. Family goals target balancing work and spending time with your family.

PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

Incorporates the needed competencies for creating and operating a small business at three levels of learning, with experiences and outcomes becoming progressively more advanced.

Level 1 — Understanding the creation and operation of a business.
Level 2 — Planning for a business in your future.
Level 3 — Starting and managing your own business.

Self-contained **Student Modules** include: specific objectives, questions supporting the objectives, complete content in form of answers to the questions, case studies, individual activities, group activities, module assessment references. **Instructor Guides** include the full text of each student module and lesson plans, instructional suggestions, and other resources. **PACE,Third Edition, Resource Guide** includes teaching strategies, references, glossary of terms, and a directory of entrepreneurship assistance organizations.

For information on PACE or to order, contact the Publications Department the
Center on Education and Training for Employment, 1900 Kenny Road, Columbus, Ohio 43210-1090
(614) 292-4353, (800) 848-4815.

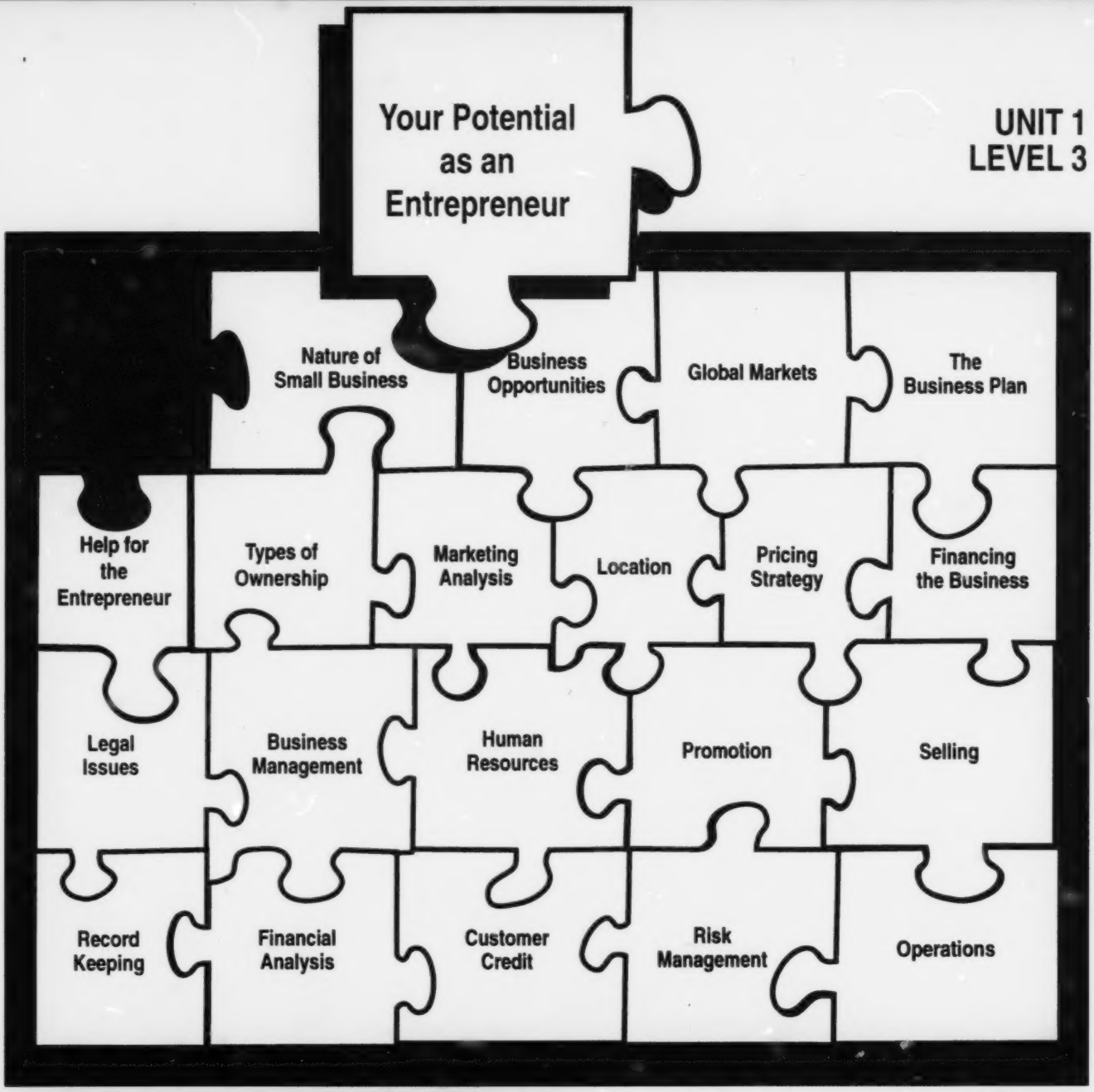
Support for **PACE, Third Edition** provided in whole or in part by:

International Consortium for Entrepreneurship Education
and
International Enterprise Academy
Center on Education and Training for Employment
The Ohio State University

The Coleman Foundation

Center for Entrepreneurial Leadership Inc.
Ewing Marion Kauffman Foundation

UNIT 1
LEVEL 3



PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

CENTER ON EDUCATION AND TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY

Research & Development Series No. 303-01

YOUR POTENTIAL AS AN ENTREPRENEUR

BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read the What are the Objectives for this Unit on the following page. If you think you can meet these objectives now, consult your instructor.

3. These objectives were met in Level 1 and Level 2:

   Level 1

   - Define entrepreneurship.
   - Identify characteristics, aptitudes, and skills of successful entrepreneurs.
   - Describe careers you would like to be involved in during your lifetime.
   - Compare the advantages of owning a business versus working for someone.
   - Establish the importance of setting goals.
   - Assess your aptitudes and skills.
   - Assess your potential to become an entrepreneur.

   Level 2

   - Describe typical entrepreneurial characteristics.
   - Identify your entrepreneurial aptitudes and skills.
   - Describe professionalism as it relates to being an entrepreneur.
   - Determine the motives for starting your own business.
   - Evaluate the different types of business opportunities that relate to your own skills.
   - Apply the goal-setting process to career planning.

4. Look for these business terms as you read this unit. If you need help with the meanings, ask your instructor for a copy of the PACE Glossary contained in the *Resource Guide*.

   Entrepreneurs
   Entrepreneurship
   Long-term goals
   Professionalism
   Short-term goals

Copyright © 1994, Center on Education and Training for Employment, The Ohio State University. All rights reserved.

YOUR POTENTIAL AS AN ENTREPRENEUR

WHAT ARE THE OBJECTIVES FOR THIS UNIT?

Upon completion of this unit you will be able to—

- appraise common characteristics of entrepreneurs,
- analyze your personal characteristics, skills, and motives,
- discuss the importance of professional behavior as an entrepreneur,
- evaluate your potential for planning, marketing, management, and operations,
- identify your business options based on your personal analysis, and
- set short-term and long-term goals for your business.

WHAT IS THIS UNIT ABOUT?

The skills and motives of entrepreneurs are among the most important elements in the success of a new business venture. Before examining the types of business opportunities available, a would-be entrepreneur should evaluate his or her personal strengths and weaknesses and his and her motives starting a new business. By examining all the hats an entrepreneur must wear, a would-be entrepreneur can begin identifying early business areas in which he or she might require additional assistance.

Many different decisions are involved in selecting a type of business opportunity. For example:

- What products or services does the potential entrepreneur have the experience to provide?
- What will be the method of marketing these products and services?
- What resources (human and financial) will be used by the would-be entrepreneur?

Each of these decisions will be based on the skills and motives of the entrepreneur, as well as the availability of opportunity, capital, and other resources. The best business for you is the one that makes use of and maximizes your assets and minimizes your weaknesses. Also, most successful entrepreneurs have had previous experience in the field of activity in which they choose to start a business.

The purpose of this unit is to help you analyze your entrepreneurial potential. You will consider the characteristics and skills commonly held by entrepreneurs and assess professional behavior in context of entrepreneurial success. You will then assess your characteristics, skills, and motives for becoming an entrepreneur. This self-analysis will include evaluating the ability to make decisions, solve problems, plan, and manage the functional areas of business. A final analysis of your business options will lead you to determining long- and short-term goals for becoming an entrepreneur.

WHAT DO WE KNOW ABOUT ENTREPRENEURIAL CHARACTERISTICS?

Numerous studies have been conducted to determine the characteristics or personality traits frequently found among entrepreneurs. Some of these characteristics are as follows:

- High achievers
- Reasonable risk-takers
- Tolerance for ambiguity
- Type A behavior
- Self-confidence
- Goal-oriented
- Intelligent
- Action-oriented
- Casehardened
- Innovative
- Competitive, aggressive

Throughout his or her career, the entrepreneur is faced with some very demanding responsibilities. Work and non-work roles must be prioritized, relationships must be developed and nurtured, and he or she must deal with risk. It takes a person with very distinct characteristics and unique skills to manage the lifestyle entrepreneurship demands. Perhaps the life of entrepreneur Steven Jobs, co-founder of Apple Computer, Inc., best describes the interplay of the characteristics, skills, and responsibilities exemplified by successful entrepreneurs.

From the beginning, Steve Jobs was creative, visionary, and opportunistic. He and Steve Wozniak discovered a mutual interest in electronics while still in high school. After high school, the two went to different colleges, however each eventually dropped out due to impatience and boredom.

Jobs found an outlet for his creative talents by joining Atari. Known as a workaholic

and nonconformist, he worked evenings to design the Atari video game "Breakout". When Wozniak, who had gone to work for Hewlett-Packard, discovered what Jobs was doing, he contacted him and they rekindled their friendship. In their spare time they developed a printed circuit board and designed a computer. They believed there was tremendous potential for a small "personal" computer. Jobs' vision was a computer "for the masses." Hoping to sell their circuit board and their "personal computer" idea, they approached Hewlett-Packard. But H-P dismissed the idea as having too little market potential.

Undaunted by H-P's verdict, Jobs the risk-taking, action-oriented entrepreneur, pushed ahead refining his ideas and computer. Still working from his garage, he and Wozniak built and sold the first "Apple" to a friend in 1976 for $589.00. This led to additional orders for 100 of the little machines.

The demand for these computers proved to be so explosive that Jobs was quickly forced to consider how he might create and manage a company to meet this demand. At this stage, Jobs had to consider providing leadership and management to a new business. He also had to learn how to establish critical relationships with people and organizations needed for continued success. Learning from daily mistakes, he pushed forward establishing relationships with suppliers of capital, parts and services. He quickly recognized that while he could provide leadership for the venture, it was growing to fast to manage alone. He recruited professional management help and began to build internal teams to move the business forward.

Apple's manufacturing and administration took up 15 buildings in Silicon Valley. Jobs had successfully taken a good idea and turned it into a wildly successful business. Jobs probably would never have seen this success had it not been for his entrepreneurial characteristics and skills.

WHAT DOES PROFESSIONALISM MEAN TO THE ENTREPRENEUR?

Another very important ingredient of entrepreneurial success is maintaining a positive professional image. Your physical appearance, how you communicate with others, and how you react to situations contribute to your professional image.

Entrepreneurs are business people who must deal with customers—the general public or other businesses and institutions—on a daily basis. People see you as a symbol of your business. For that reason, it is important to put your best foot forward 24 hours a day.

If you behave unprofessionally, people will view your business in the same way. People prefer to do business with an organization that conducts itself in a professional manner.

The following factors contribute to a professional image:

- Appearance. Your personal appearance and the appearance of employees and your facilities say a lot to people about the quality of your goods and services.

- Speech. Your choice of words and the use of those words create an impression of your abilities and attitudes.

- Writing. Like speech, written messages and letters also leave an impression on people. Writing clear, logical, persuasive, and grammatically correct communications leaves a good impression.

- Etiquette. Your manners tell people a lot. Showing common courtesies and politeness are a must in dealing with the public.

- Integrity. People do business with people they believe they can trust to be fair and dependable.

- Ethics. High ethical standards, or holding a high standard of what is morally right earns respect, trust, and business.

Recall the business people you have dealt with who are positive and negative examples of each of these factors. Do you remember how this effected your image of the business?

WHAT ARE YOUR PERSONAL QUALIFICATIONS FOR BECOMING AN ENTREPRENEUR?

There are a number of personality traits, aptitudes, skills, knowledge attainment, and experiences among entrepreneurs. To help you evaluate your potential for becoming an entrepreneur, consider these three areas: communication skills, knowledge/thinking skills, and physical skills (see Figure 1). As each is discussed, take an accurate look at yourself. What skills do you current possess? What skills would you like to develop? What skills do you need as an entrepreneur?

Good communication skills, often referred to as people skills, are needed for success in the business world. These include such skills as those that enable you to build relationships and communicate with others. Competence in these two areas is required to deal successfully with suppliers, customers, employees, and the community. Specific tasks that involve people skills are—

Areas of Expertise/Skills		
Communication Skills	Knowledge/Thinking Skills	Physical Skills
Human relations	Organization	Dexterity
Negotiating	Problem solving	Endurance
Persuasion	Decision making	

Figure 1. Areas of expertise/skills

- Initiating and building long-term relationships based upon trust
- Negotiating
- Selling
- Motivating

Being an entrepreneur also demands certain thinking skills and technical knowledge skills. For example, all business endeavors require that you be competent in:

- organizing,
- problem solving, and
- decision making.

The business you choose will likewise require specific technical knowledge. For instance, running a landscaping service requires knowledge of plants, fertilizers, maintenance techniques, and the affects of weather.

A third skills area is physical skills. Many types of businesses require the ability to perform certain manual or physical processes. Using the landscaping example, if you are going to start such a business you need to be able to plant trees and shrubs, prune trees, mow lawns, build retaining walls, and so on.

In addition to people, knowledge/thinking, and physical skills, another qualification needed to be successful in a business is experience. The chances of being successful at starting a business are much greater if you have experience in the area of business. Knowing your product or service and your market is imperative.

WHAT ARE YOUR MOTIVES FOR BECOMING AN ENTREPRENEUR?

What motivates people to become entrepreneurs? Some of the most common reasons are as follows:

- Role models. Having an relative or friend involved in small business enterprise can motivate you to try entrepreneurship. This person serves as a role model. By talking with and observing this person, you see first hand what being in business for yourself is all about.
- Opportunities. Sometimes people identify what they believe to be a good business opportunity. They see a need in the marketplace that is going unmet and they believe they can fill that need.
- Displacing events. Many people have their financial support system disrupted and discover going into business as a way to meet their financial needs. Examples of displacing events are job layoffs, divorce, and the death of a supporting spouse.
- Need for extra money. A lot of people have started part-time businesses in order to supplement their income.
- Community position. Oftentimes being in business for yourself offers a certain "status" within the community. Some people value this special place in the community.

- Pathfinder. Some people are driven to be on the "cutting-edge." They enjoy breaking new ground, pioneering new and better ways to make a product or provide a service. For them, entrepreneurship gives them the freedom to explore these new ideas.

Take time to explore your motives for becoming a business owner. What personal need or needs do you wish to fulfill? Ask yourself if being an entrepreneur will meet these needs. Make sure you become an entrepreneur for the right reasons.

WHAT IS YOUR POTENTIAL FOR DECISION MAKING AND PROBLEM SOLVING?

Analyzing information and data, pinpointing problems and sources of the problems, and figuring out ways to solve problems are some of the thinking skills related to success as an entrepreneur. Another important thinking skill is the ability to make decisions based on the information or data you have analyzed, the problem you have identified, and the alternate solutions you have come up with. You may not have been born with these skills, or they may not be easy for you, but they can definitely be developed.

Right now you may be faced with one of the most important decisions of your life. Should you start your own business? Should you become an entrepreneur? You have already begun to identify what is needed to be successful in business. You have also given some thought to how well you measure up.

WHAT KINDS OF DECISIONS DO ENTREPRENEURS MAKE?

Perhaps you are unsure about the kinds of decisions entrepreneurs must make. The following questions address topics common to entrepreneurs and serve to give you a better idea. Do not expect to be able to answer these questions now; however, by considering them, you will be more aware of the kinds of things with which entrepreneurs must deal. This information is adapted from the Small Business Administration's Small Marketer's Aid.

MONEY

- Have you saved any money?
- Do you know how much money you will need to get your business started?
- Have you figured out whether you could make more money working for someone else?
- Have you determined how much of your own money you can put into the business?
- Do you know how much credit you can get from your suppliers—the people from whom you will buy?
- Do you know where you can borrow the rest of the money needed to start your business?

- Have you figured out your expected net income per year from the business? (Include your personal salary and profit on the money you put into the business.)

- Can you live on less than this so that you can use some of it to help your business grow?

- Have you talked to a banker about your plans?

SELLING

- Have you decided on a selling plan?

- Do you know how to get customers to buy?

- Have you thought about the selling techniques that make customers want to buy?

EMPLOYEES

- If you need to hire someone to help you, do you know where to look?

- Do you know what kind of person you need?

- Do you now how much to pay?

- Do you know what benefits to provide?

- Do you have a plan for training your employees?

- Do you have a work plan for yourself and your employees?

CUSTOMER CREDIT

- Have you decided if you will accept customer credit?

- Do you know the good and bad points about joining a credit card plan?

- Can you tell a "deadbeat" from a "good credit" customer?

- Have you talked with other business owners in the area about what they think of your business?

- Have you talked with suppliers about credit?

- Have you talked to a lawyer about credit?

ADVERTISING

- Have you decided how you will advertise, for example, newspapers, posters, handbills, radio, mail?

- Do you know where to get help with your ads?

- Have you watched how other similar businesses get people to buy?

10

PRICING

- Can you determine what you should charge for each product or service you sell?
- Do you know what similar businesses charge?

BUYING

- Do you know how to find out what your customers need?
- Will your inventory records tell you when it is time to reorder and how much to order?
- Will you buy most of your stock from a few suppliers rather than a little from many, so that those you buy from will want to help you succeed?

BUSINESS PROTECTION

- Have you made plans for protecting your business against thefts, that is, shoplifting, robbery, burglary, and stealing by employees?
- Have you talked with an insurance agent about the insurance you need?

BUYING A BUSINESS

- Have you made a list of what you like and do not like about buying a business someone else has started?
- Are you sure you know the real reason why the owner wants to sell the business?
- Have you compared the cost of buying the business with the cost of starting a new business?
- Have you talked to a lawyer about it?
- Are the stock, equipment, and fixtures up to date and in good condition?
- Is the building in good condition?
- Will the owner of the building transfer the lease to you?
- Have you talked with other business people in the area to see what they think of the business?
- Have you talked with the company's suppliers?

RECORD KEEPING

- Have you planned a system of records that will enable you to keep track of your income and expenses, what you owe other people, and what other people owe you?
- Can you keep track of your inventory so that you will always have enough on hand for your customers, but not more than you can sell?

- Have you determined how to keep your payroll records and take care of tax reports and payments?
- Do you know what financial statements you should prepare?
- Do you know an accountant who will help you with your records and financial statements?

YOUR BUSINESS AND THE LAW

- Do you know the licenses and permits you need?
- Do you know the business laws you have to obey?

EQUIPMENT AND SUPPLIES

- Do you know the equipment and supplies you will need and how much they will cost?
- Can you save some money by buying secondhand equipment?

MERCHANDISE/SERVICES

- Have you decided what products/services you will sell?
- Do you know the quantity of each product you will need to buy in order to open your business?
- Have you found suppliers who will sell you what you need at a good price?
- Have you compared the prices and credit terms of different suppliers?

PARTNER(S)

- Do you know the good and bad points about going into business alone, having a partner, and incorporating your business?
- If you need a partner with money and/or expertise, do you know someone with whom you can get along?
- Do you know a lawyer who you can go for advice and help with the legal papers?
- Have you talked to a lawyer?

CUSTOMERS

- Do most businesses in your community seem to be doing well?
- Have you tried to find out how well businesses similar to the one you want to open are doing in your community and in the rest of the country?
- Do you know what kind of people will want to buy what you plan to sell?
- Do such people live in the area where you want to open your business?
- Do you feel they need a business like yours?

- Have you thought about opening a different kind of business or going to another neighborhood?

BUILDING FACILITIES

- Have you found a good location for your business?
- Will you have enough room when your business is in operation?
- Can you fix the building the way you want to without spending too much money?
- Will you have adequate parking facilities?
- Have you had a lawyer check the lease and zoning?

HOW CAN PERSONAL ANALYSIS HELP IDENTIFY APPROPRIATE BUSINESS OPTIONS?

One benefit in experiencing many things is that you will soon discover what you do and do not like to do. This knowledge can then be used to explore different business ideas.

Another approach is to focus on your aptitudes and skills. What did you discover from your personal analysis about your strengths and weaknesses? In exploring business ideas, consider those businesses that capitalize on your strengths.

Do you have particular knowledge and/or expertise as the result of training, formal education, or on-the-job experience? If so, you might want to explore business ideas that would use your knowledge and expertise.

Also, in thinking about business ideas, you would rely on the business contacts you have made. This is the time to ask all kinds of questions. It may help to determine a business suitable for you.

WHY ARE GOALS IMPORTANT?

One way to describe goal setting is to "begin with the end in mind." This means you should have some idea about where you are going so that you can determine the steps you need to take to get there.

Without goals, it is very easy to fall into the "activity trap." For example, some people are busy all the time. However, because they have no targeted outcomes, they are busy doing the wrong things. The key to accomplishment is not simply to be busy, but to be busy in effective ways.

First decide what is important to you professionally, socially, financially, and in your family life. Once you have established desired outcomes in each of these areas, you can then begin the necessary steps toward reaching your goals.

WHAT GOALS ARE NECESSARY TO BECOME AN ENTREPRENEUR?

It is helpful to view goals in terms of how long it takes to accomplish them. Long-term goals are goals you want to accomplish in the long run, probably 5-10 years. These goals are major accomplishments—things that require considerable effort to achieve. Examples of long-term goals are these:

- To own your own business such as a travel agency, machine shop, or restaurant
- To buy a house
- To take your family on an extended vacation to tour the western United States

Short-term goals take much less time to accomplish—maybe a few weeks or months or a year. These goals, which are also often called objectives, are the steps you need to take to accomplish your long-term goals. For example, to become the owner of a machine shop might require you to reach the following short-term goals:

- Finish your machinist apprenticeship
- Save a certain amount of money
- Establish a reputation for quality work

Again, short-term goals support long-term goals. A journey really is taken a step at a time. The practicality of thinking in terms of long-term and short-term goals is that it helps you to see what it will take to get to where you want to be and to plan and act accordingly. It also makes the undertaking much more manageable. Although the long-term goal may look overwhelming, when broken down into short-term goals, they become doable.

To become an entrepreneur, you'll most likely need to set personal goals, business goals, family goals, and financial goals. You need to consider what you need to do in each of these areas to prepare yourself for entrepreneurship. Examples of possible goals for each area are as follows:

Personal Goals

- Education. Take small-business management classes, technical classes such as accounting, auto repair, computer programming
- Experience. Refine technical skills, sales and management experience
- Communication skills. Develop speaking and writing skills

Business Goals

- Find a suitable office
- Build a network of technical assistance
- Find reliable suppliers
- Determine the characteristics of the market

Family Goals

- Balance work and family so you can spend two evenings and Sunday with the family
- Get the rest of the family involved in the business
- Join a doubles tennis league with your spouse that also allows you to build business relationships

Financial Goals

- Save for equipment for the business
- Obtain a Small Business Administration loan
- Establish a line of credit

Your journey to become an entrepreneur will go more smoothly and with more chance of success if you consider all areas of your life and how they will be affected by the business.

ACTIVITIES

The following activities are designed to help you apply what you have learned in this unit.

INDIVIDUAL ACTIVITIES

A.

How great is your need for achievement? Answer "yes" or "no" to these questions on a separate piece of paper.

1. Do you like to take personal responsibility for getting jobs done?
2. Do you prefer games of skill to games of chance?
3. Do you like to take moderate risks rather than very high or very low risks?
4. Do you like to know how you have done?
5. Do you tend to persist in the face of difficulties?
6. Do you tend to be active or restless?
7. Do you like to take initiative?
8. Are you always slightly discontented?
9. Are you willing to try more than one approach to solving a problem?
10. Do you select work partners who are experts rather than friends?
11. Do you see your present activities as important to your future growth?

More "yes" than "no" responses to these questions might indicate that, like other entrepreneurs, you are a person motivated by a high need for achievement.

B.

On a separate piece of paper, answer "yes" or "no" to the questions below. Do they describe you?

A. Do you constantly make wagers?

B. Do you constantly take chances?

C. Do all your thoughts and fantasies center around that big win?

D. Do you keep on trying even when you are usually losing?

E. Can you stop once you win?

F. Are you tempted to risk everything on one last try?

G. Do you love the thrill of gambling?

More "no" than "yes" answers indicates that you are not a gambler, but possibly a moderate risk taker. Entrepreneurs are not gamblers, they make decisions based on expertise and take moderate risks.

16

C.

List the entrepreneurial skills you believe will be important to your own business success. Write a description of your own strengths or weaknesses in each area.

D.

Ask a local entrepreneur to spend one hour with you. Review your list (drawn up in the previous activity) and discuss it with the entrepreneur. Find out if you and the entrepreneur agree or disagree on the points on your list. Write a report telling how you intend to deal with any weaknesses. Give actual action plans for solutions to the problems. Determine how much time, effort, and money it would cost to offset any serious weaknesses. Should you reconsider the kind of business you anticipate owning?

GROUP ACTIVITIES

A.

Work in teams of four to six. Each team is to choose a specific entrepreneurial idea (e.g., open an auto repair shop, a bakery, a computer store, a consulting firm, etc.). The teams are to develop a list of skills and attributes critical to successfully start a business. First, team members develop a list of entrepreneurial characteristics. Next, the team members get together and gather individual ideas. Finally, all teams convene and present a brief description of the entrepreneurial profile they came up with.

B.

Continue the previous suggestion by having teams engage in a discussion on what entrepreneurial skills, attributes, and characteristics are common to the business ideas chosen. Conversely, the teams should also brainstorm on skills characteristic to certain type of business ideas. Also, teams should also highlight the importance of flexibility for business success.

CASE STUDY

After graduating from high school, Leslie Reitman studied accounting at a local vocational school. After working as an accountant for five years for an accounting firm in Cincinnati, Ohio, Leslie felt she could handle the responsibility of owning her own business. She wanted to open a small tax office in a growing residential area.

Before starting the business, Leslie obtained a $20,000 bank loan and hired Mary Linard, one of her former vocational school colleagues. Mary is also an accountant specializing in taxes. She was able to refer many clients to Leslie.

After two years, Leslie realized that she needed to diversify her business. People needed help with taxes only during the first four months of the year. It was rare that Leslie and Mary had the opportunity to help clients with other tax issues in the remaining months.

After attending accounting classes at the University of Cincinnati, Leslie took the Certified Public Accountant (CPA) examinations and passed them.

Today, Leslie's firm employs ten people, two of which are CPAs. The firm has expanded its services to include auditing, taxes, accounting software, bookkeeping, payroll, employee benefits, insurance, and inventory systems. Last year, Leslie paid off the bank loan. She is now planning to open a second office in downtown Cincinnati.

DISCUSSION QUESTIONS

1. Identify the typical entrepreneurial characteristics exhibited by Leslie.
2. Explain how Leslie showed a flair for decision making, problem solving, and managing changes.
3. How did Leslie and her associates improve their potential to be successful entrepreneurs?

18

ASSESSMENT

Read the following questions to check your knowledge of the topics presented in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. What are three areas of skills needed to be a successful entrepreneur?

2. Describe how each of these skill areas is necessary to the business.

3. What are some motives for becoming an entrepreneur?

4. Give examples of decisions entrepreneurs make.

5. Assess your own potential and ability for being creative and making decisions. Give examples that would show that these skills could be used to effectively run a business.

6. What kind of goals do entrepreneurs set for themselves?

REFERENCES

Balogh, J., et al. *Beyond A Dream: An Instructor's Guide for Small Business Exploration.* Columbus, OH: Center on Education and Training for Employment, 1985.

Bird, B. *Entrepreneurial Behavior.* Glenview, IL: Scott, Foresman and Company, 1989.

Scarborough, N., and Zimmerer, T. *Effective Small Business Management.* Columbus, OH: Merrill Publishing Company, 1991.

Stolze, W. *Startup: An Entrepreneur's Guide to Launching and Managing a New venture.* Rochester, NY: Rock Beach Press, 1992.

PACE

⇨ Unit 1. Your Potential as An Entrepreneur
Unit 2. The Nature of the Small Business
Unit 3. Business Opportunities
Unit 4. Global Markets
Unit 5. The Business Plan
Unit 6. Help for the Entrepreneur
Unit 7. Types of Ownership
Unit 8. Marketing Analysis
Unit 9. Location
Unit 10. Pricing Strategy
Unit 11. Financing the Business
Unit 12. Legal Issues
Unit 13. Business Management
Unit 14. Human Resources
Unit 15. Promotion
Unit 16. Selling
Unit 17. Record Keeping
Unit 18. Financial Analysis
Unit 19. Customer Credit
Unit 20. Risk Management
Unit 21. Operations
Resource Guide
Instructor's Guide

Units on the above entrepreneurship topics are available at the following levels:

* Level 1 helps you understand the creation and operation of a business
* Level 2 prepares you to plan for a business in your future
* Level 3 guides you in starting and managing your own business